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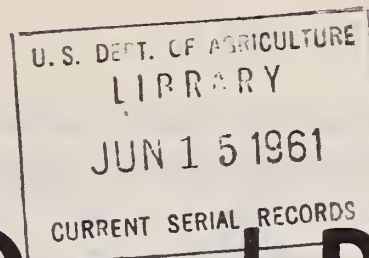


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The

# DEMAND and PRICE SITUATION

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August 1960  
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Approved by the Outlook and Situation Board August 18, 1960

## SUMMARY

The national economy showed mixed trends as the third quarter of 1960 got underway, suggesting relatively stable levels of business activity for the near future. Consumer incomes and expenditures were at record highs, and employment and prices in general held relatively stable. The rate of industrial output held fairly steady, slightly below the peak reached early in the year. Reports for June indicate some reduction in sales and new orders, particularly for durable goods, but not much change in stocks relative to sales rates.

Cash receipts from farm marketings during January-July totaled \$16.5 billion, about 1 percent below the corresponding period of 1959. The preliminary estimate of cash receipts for this July is \$2.6 billion, about the same as a year earlier. Receipts for cattle and calves were down due to lower prices, but because of larger marketings those from corn, soybeans, and new-crop wheat were higher.

Total farm output for 1960 is now indicated as an all-time record, 5 percent above the 1957-59 average and 27 percent larger than the 1947-49 average. Crop production based on August 1 conditions is estimated to be larger than the 1958 and 1959 record high as more favorable yield prospects for corn, winter wheat, and oats raised earlier estimates. A slight reduction in gross production of livestock and livestock products will be less than offsetting. The record output points toward a civilian per capita food consumption about unchanged from last year.

(Continued on page 3)

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UNITED STATES DEPARTMENT OF AGRICULTURE

## ECONOMIC FACTORS AFFECTING AGRICULTURE

| Item                                                  | Unit or<br>base<br>period | 1959   |        | 1960   |        |        |        |
|-------------------------------------------------------|---------------------------|--------|--------|--------|--------|--------|--------|
|                                                       |                           | Year   | July   | Apr.   | May    | June   | July   |
| Industrial production, seasonally adj. <u>1/</u>      | 1947-49=100               | 159    | 163    | 165    | 167    | 166    | 166    |
| All manufactures                                      | do.                       | 158    | 163    | 164    | 166    | 165    | 165    |
| Durable goods                                         | do.                       | 165    | 171    | 172    | 174    | 171    | 171    |
| Nondurable goods                                      | do.                       | 155    | 159    | 159    | 162    | 162    | 163    |
| Mining                                                | do.                       | 125    | 123    | 128    | 128    | 126    | 128    |
| Utilities                                             | do.                       | 268    | 271    | 288    | 286    | 290    | 292    |
| Construction:*                                        |                           |        |        |        |        |        |        |
| Total outlays, seasonally adjusted <u>2/</u>          | Mil. dol.                 | 56,105 | 4,813  | 4,536  | 4,651  | 4,633  | 4,627  |
| Public construction                                   | Mil. dol.                 | 16,257 | 1,374  | 1,287  | 1,362  | 1,315  | 1,293  |
| Private residential                                   | Mil. dol.                 | 24,469 | 2,118  | 1,844  | 1,884  | 1,914  | 1,919  |
| Housing starts <u>3/</u>                              | Thousands                 | 1,517  | 1,578  | 1,329  | 1,342  | 1,298  | 1,173  |
| Manufacturers' sales and inventories: <u>2/</u>       |                           |        |        |        |        |        |        |
| Total sales, seasonally adjusted                      | Mil. dol.                 | 29,758 | 30,858 | 31,030 | 30,990 | 30,770 |        |
| Durable goods                                         | Mil. dol.                 | 15,359 | 15,384 | 15,000 | 15,060 | 14,850 |        |
| Unfilled orders-sales ratio <u>5/</u>                 |                           | 3.25   | 3.07   | 3.02   | 2.96   | 2.98   |        |
| Inventory-sales ratio <u>6/</u>                       |                           | 1.73   | 1.69   | 1.76   | 1.78   | 1.79   |        |
| Durable goods                                         |                           | 1.96   | 1.97   | 2.13   | 2.13   | 2.17   |        |
| Employment and wages: <u>7/</u>                       |                           |        |        |        |        |        |        |
| Total civilian employment                             | Millions                  | 65.6   | 67.6   | 66.2   | 67.2   | 68.6   | 68.7   |
| Nonagricultural                                       | do.                       | 59.7   | 60.8   | 60.8   | 61.4   | 61.7   | 61.8   |
| Unemployment                                          | do.                       | 3.8    | 3.7    | 3.7    | 3.5    | 4.4    | 4.0    |
| Workweek, in manufacturing                            | Hours                     | 40.3   | 40.2   | 39.4   | 39.9   | 40.0   | 39.8   |
| Hourly earnings in manufacturing                      | Dollars                   | 2.22   | 2.23   | 2.28   | 2.29   | 2.29   | 2.29   |
| Income and spending:                                  |                           |        |        |        |        |        |        |
| Personal income payments <u>2/</u> <u>3/</u>          | Bil. dol.                 | 383.3  | 386.9  | 401.9  | 404.7  | 406.1  | 407.1  |
| Consumer credit outstanding <u>1/</u>                 | Mil. dol.                 | 52,046 | 48,047 | 52,169 | 52,831 | 53,497 |        |
| Automobile                                            | Mil. dol.                 | 16,590 | 15,923 | 17,218 | 17,481 | 17,807 |        |
| Total retail sales, seasonally adj. <u>2/</u>         | Mil. dol.                 | 17,930 | 18,296 | 18,869 | 18,480 | 18,576 | 18,313 |
| Durable goods                                         | Mil. dol.                 | 5,962  | 6,160  | 6,303  | 6,080  | 6,011  | 5,825  |
| Inventory-sales ratio <u>6/</u>                       |                           | 1.36   | 1.37   | 1.32   | 1.36   | 1.36   |        |
| Prices:                                               |                           |        |        |        |        |        |        |
| Wholesale prices, all commodities <u>4/</u>           | 1947-49=100               | 120    | 120    | 120    | 120    | 120    | 120    |
| Commodities other than farm and food                  | do.                       | 128    | 128    | 129    | 128    | 128    | 128    |
| Farm products                                         | do.                       | 89     | 88     | 91     | 90     | 89     | 89     |
| Foods processed                                       | do.                       | 107    | 108    | 107    | 107    | 108    | 109    |
| Consumer price index, all items <u>4/</u>             | 1947-49=100               | 125    | 125    | 126    | 126    | 126    |        |
| Food                                                  | do.                       | 118    | 119    | 120    | 120    | 120    |        |
| Prices received by farmers <u>8/</u>                  | 1910-14=100               | 240    | 241    | 242    | 241    | 236    | 238    |
| Crops                                                 | do.                       | 221    | 226    | 225    | 228    | 221    | 226    |
| Livestock and products                                | do.                       | 256    | 253    | 257    | 252    | 248    | 249    |
| Prices paid, interest, taxes and wage rates <u>8/</u> | 1910-14=100               | 298    | 297    | 302    | 301    | 299    | 298    |
| Family living items                                   | do.                       | 289    | 288    | 291    | 291    | 290    | 290    |
| Production items                                      | do.                       | 266    | 266    | 268    | 267    | 265    | 263    |
| Parity ratio <u>8/</u>                                |                           | 81     | 81     | 80     | 80     | 79     | 80     |
| Farm income and marketings: <u>8/</u>                 |                           |        |        |        |        |        |        |
| Volume of farm marketings                             | 1947-49=100               | 128    | 122    | 98     | 104    | 116    | 126    |
| Cash receipts from farm marketings                    | Mil. dol.                 | 33,146 | 2,606  | 2,199  | 2,298  | 2,464  | 2,600  |

Annual data for most of these items for years 1929, 1939, 1941 and 1946-59 appear on page 40 of the April 1960 issue.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.  
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.  
8/ U. S. Department of Agriculture, Agricultural Marketing Service. \*Outlays include Alaska and Hawaii.  
Beginning May 1960 the series for housing starts includes farm and private nonfarm units. The nonfarm series has been adjusted for undercoverage and different seasonal adjusted factors. Data for the new series are available back to January 1959.



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 T H E D E M A N D A N D P R I C E S I T U A T I O N  
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Approved by the Outlook and Situation Board, August 18, 1960

| CONTENTS                           |      |                                |      |
|------------------------------------|------|--------------------------------|------|
|                                    | Page |                                | Page |
| : Summary.....                     | 1    | Feed.....                      | 21   |
| : General Business Conditions..... | 4    | Wheat.....                     | 22   |
| : Foreign Demand.....              | 15   | Fruit.....                     | 23   |
| : Farm Income.....                 | 16   | Commercial Vegetables.....     | 24   |
| : Livestock and Meat.....          | 17   | Potatoes and Sweetpotatoes.... | 24   |
| : Poultry and Eggs.....            | 18   | Cotton.....                    | 25   |
| : Dairy Products.....              | 19   | Wool.....                      | 26   |
| : Oilseeds, Fats and Oils.....     | 20   | Tobacco.....                   | 27   |
| :                                  |      | :                              |      |
| :                                  |      | :                              |      |

Continued from cover page -

Mid-July prices received by farmers were slightly above the June level because of seasonally higher prices for dairy products, and higher prices for most vegetables, cotton, hogs, and potatoes. The more important price declines were for cattle, peaches, and wheat. The index of prices paid by farmers, interest, taxes, and farm wage rates declined fractionally in mid-July. As a result of the movements in prices, the parity ratio rose 1 percent from June to 80, but was 1 percent below July 1959.

Record industrial activity, trade, and foreign exchange reserves abroad should help maintain U. S. exports at the \$19 billion annual rate reached in the second quarter of 1960. With imports relatively unchanged from last year, net exports of goods and services accounted for more than one-fourth of the rise in the GNP between the second quarters of 1959 and 1960.

#### Commodity Highlights

Relatively stable fed cattle prices seem probable the rest of this year but some seasonal declines are in prospect for feeder cattle. Hog prices this fall and winter will continue above a year earlier. Lamb prices will probably decline seasonally this fall but are not expected to drop below the prices of late 1959.

Total consumption of fluid whole milk is showing only a moderate increase this year. Use of skimmed milk and low fat fluid products and some milk cream mixtures is running substantially above a year earlier.



Egg production will again run below year-earlier levels in about another month. Some further seasonal egg price rise is likely but by year's end prices probably will be declining seasonally. The 1960 turkey crop will probably be little different from the 1959 record crop but slaughter in October and November is likely to be below the 1959 level. Placements timed for September broiler slaughter are about 5 percent above last year.

Soybean prices to farmers for the 1960 crop probably will average as high as the \$1.97 per bushel received in 1959-60, although some seasonal decline is likely this fall. Prices for 1960 cottonseed are likely to average close to the \$38.80 per ton received at the farm last year. As in most recent years, prices received for peanuts this year probably will average at about support levels.

Total stocks of feed grains carried over into 1960-61 are expected to be up to 77 million tons, more than offsetting a prospective reduction in production. The expected big feed grain supply together with indicated supplies of byproduct feeds and wheat and rye for feed, give a total feed concentrate supply of 265 million tons, slightly above last year's record.

The total wheat supply for the marketing year which began July 1, 1960 is estimated at 2,682 million bushels, 252 million bushels above last year's previous record.

Grower prices for deciduous fruits harvested in late summer are generally expected to average above year-earlier levels. Total production of deciduous fruits in 1960 will be about 7 percent smaller than last year.

Prices received by growers for fresh vegetables marketed locally within the next few weeks probably will average near to those of a year earlier.

The carryover of cotton into the marketing year which began August 1 is estimated at about 7.5 million bales, 16 percent below last year and only a little more than half the record carryover of 1956.

U. S. mill consumption of wool during January-June 1960 was 4 percent less than a year ago.

Marketings of this year's flue-cured tobacco crop have been underway in the Georgia-Florida (type 14) market since late July. Through August 16, prices averaged 57.8 cents per pound, about 1 percent below the comparable figure for a year earlier.

#### GENERAL BUSINESS CONDITIONS

As the third quarter of the year began, the Nation's economy showed both strong and weak elements. The dominant force sustaining the continuing rise in gross national product from the "steel-strike" dip in the third quarter of 1959 has been the high level of consumer spending reflecting the increase in personal income receipts. In July personal income reached an annual rate of



\$407.1 billion (seasonally adjusted), \$1.0 billion above the June level and 5 percent more than a year earlier. Both employment and unemployment showed the usual seasonal changes.

The Federal Reserve Board's index of industrial production remained unchanged in July at a seasonally adjusted annual rate of 109 (1957=100). Since February of this year, the industrial production index has fluctuated within the narrow range of 109 to 110, the pre-steel strike levels of May and June 1959. Accenting the sluggishness of industrial production is a small decline in business sales and a slackening in inventory accumulation.

Sales in manufacturing and trade were about unchanged in June, after seasonal adjustment, from the \$61.9 billion for May of this year and the \$62.0 billion for June 1959. Sales of durable goods, however, were down 1 percent. New orders were also off and order backlogs declined further. Business inventories rose about \$200 million, mostly due to an involuntary rise in inventories of durable goods. The rate of inventory accumulation during June was the smallest addition to business stocks since last fall and suggests a current accumulation well below the \$6 billion annual rate in the second quarter.

The value of private and public construction put in place in July was about unchanged from the level of June, after adjustment for seasonal factors, as cuts in public construction, particularly military facilities and conservation and development construction, about offset a rise in private construction. The value of new construction in July, \$55.5 billion, seasonally adjusted annual rate, compares with \$55.6 billion for June, and is down 4 percent from July a year ago. Private residential nonfarm construction outlays were about unchanged from June but totaled 9 percent below a year earlier.

For the first time since November 1958, commercial banks in June had net free reserves, that is, excess reserves of member banks exceeded borrowings from Federal Reserve banks. This reflected a reduction in pressure for bank credit as well as an expansion in bank reserves during the second quarter resulting from Federal Reserve open market operations. The interest rate on 3-month Treasury bills dropped sharply during June and July and in early August the yield averaged 2.131 percent, the lowest rate since August 1958.

Bank rates on business loans, however, have remained firm, reflecting, in part, the rise in business loans during the first half of 1960 and a decrease in bank liquidity as both deposits and holdings of Government securities declined. The moves in early August by the Federal Reserve easing requirements on vault cash, reducing reserve requirements, and lowering the discount rate will provide additional funds for expanding bank credit.

The reductions in the discount rate in the United States contrasts with the trend toward higher interest rates in Europe. Since the start of the year discount rates have been increased by 7 European countries and rates in major trading countries range from 5 to 6 percent, the latter the rate established in the United Kingdom on June 23.



The latest British move accelerated the outflow of gold from the United States. From the end of June through August 15, the net reduction in the U. S. gold stock amounted to \$290 million. This compares with \$134 million during the first six months of 1960. During the first 6 months of 1959, the net gold loss was \$830 million, including \$344 million subscribed to the International Monetary Fund. Even if subscriptions to international agencies are excluded, the net loss for 1960 through August 15 of \$424 million is below the \$589 million reduction recorded during the corresponding period of 1959. The smaller gold outflow this year mainly reflects the reduction in the U. S. balance of payments deficit, but also the continued build-up of foreign dollar investments, and the large working balances needed to finance the current higher level of world trade.

On balance, the mixed trends in the economy appear about offsetting and indicate relatively stable overall levels of economic activity for the near future. Consumer income and spending are holding at a high rate, as is business investment, and residential construction is picking up some. Federal Government spending is expected to increase and outlays by State and local Government continue to rise.

### Income, Employment, and Prices

#### Income and Employment High

Personal income in July reached an annual rate of \$407.1 billion, seasonally adjusted, \$1.0 billion more than June, and a record high. Labor, business and professional and personal interest income accounted for the gain. During July average weekly earnings of production workers on manufacturing payrolls was \$91.14, down fractionally from the June level of \$91.60 but 1.7 percent higher than July 1959.

Sustaining the high level of income to consumers, total employment in July, after seasonal adjustment, was about unchanged from last month and 1.6 percent above a year earlier. Unemployment declined about seasonally as many teenagers who sought work in June found jobs by July. The seasonally adjusted rate of unemployment of 5.4 percent was not significantly different from the 5.5 percent of the month before but above the 5.1 percent rate of last July.

The number of wage and salary earners on the payrolls of nonagricultural establishments rose by 19,000 (seasonally adjusted) in July to 53.1 million, compared with 52.6 million in July 1959. Gains in employment in service businesses and wholesale and retail trade more than offset decreased employment in manufacturing and Government. Within manufacturing, employment in durable goods industries has declined every month since February of this year, while employment in nondurable goods industries fell the past two months. Part of the drop in employment in durable goods industries was due to the decline in activity in the steel industry, and, recently, to layoffs in the automobile industry as preparations got underway for new-model changeover. As new model production picks up, employment in these categories should rise.



Prices Little Changed

The general level of prices at mid-year showed little change from a month earlier and were only slightly above year ago levels. The relative stability in prices over the past year indicates the absence of any strong pressures on the economy. Gross product of the economy in the second quarter was about 3.5 percent above a year earlier. An increase in output accounted for about 1.4 percent of the gain while prices averaged about 2 percent above the second quarter 1959.

Urban consumers prices in June were up fractionally from May, and 1.6 percent higher than a year earlier. Both prices for food and all other items rose over the year. Prices paid by farmers for family living items exhibited about the same movement over the year, and in July remained unchanged from the June level. Higher prices paid for food, clothing, and auto supplies in July were offset by declines in prices of building material, household furnishings, and new automobiles.

Wholesale prices advanced slightly in July as prices for processed foods rose. At 119.7 percent of its 1947-49 average, the WPI was below the high point of 120.0, reached in the spring of both 1959 and 1960.

In mid-July prices received by farmers advanced slightly from the June level while the parity index (prices paid by farmers, interest, taxes, and farm wage rates) was a little lower. As a result, the parity ratio rose 1 percent from June to 80, a level 1 percent below July 1959.

Industrial Production

At a seasonally adjusted annual rate of 109 (1957=100) in July the index of industrial production stayed within the narrow range of 2 points in which it has fluctuated since December of last year. The stability in the total index masks a decline over this period in durable goods production due largely to a sharp reduction in steel output. Output of nondurable goods and utilities has increased reflecting high incomes and a generally strong consumer market. The decline for durable goods reflects some weakness in sales and orders and a reduced demand for inventories.

Steel Production Down

Steel ingot production in the first half of 1960 was 60.7 million tons, 3.6 million tons below the record 64.3 million in the first half of 1959 when output was stimulated by inventory buildup in anticipation of the steel strike. After strike-depleted inventories were rebuilt in the first quarter 1960, slowdowns in steel-consuming industries, seasonal factors, and downward inventory adjustments contributed to the production decline in the second quarter.

Table 1.--Output, income, and prices, selected periods 1959-1960

| Item                                                                      | Unit         | 1959  |       |       |       | 1960  |       |       |            | Change from |         |
|---------------------------------------------------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|------------|-------------|---------|
|                                                                           |              | II    | III   | IV    | I     | II    | June  | July  | : II qtr.: | June        |         |
|                                                                           |              | :     | :     | :     | :     | :     | :     | :     | : 1959 :   | to 1960:    | Percent |
|                                                                           |              | :     | :     | :     | :     | :     | :     | :     | :          | July 1960   | Percent |
| Gross national product<br>(1959 prices) <u>1/</u>                         | Bil. dol.    | 489.3 | 480.0 | 483.3 | 495.9 | 496.1 | 2/    | 2/    | 1.4        | 2/          |         |
| Disposable personal income <u>1/</u>                                      | Bil. dol.    | 338.3 | 338.5 | 342.4 | 347.0 | 354.3 | 2/    | 2/    | 4.7        | 2/          |         |
| Consumers price index                                                     |              |       |       |       |       |       |       |       |            |             |         |
| All items less food                                                       | 1947-49=100: | 124.0 | 125.0 | 125.5 | 125.6 | 126.3 | 126.5 | 3/    | 1.9        | 3/          |         |
| Food                                                                      | 1947-49=100: | 127.3 | 128.3 | 129.4 | 129.6 | 129.7 | 129.7 | 3/    | 1.9        | 3/          |         |
|                                                                           | 1947-49=100: | 118.1 | 118.8 | 118.0 | 117.6 | 119.8 | 120.3 | 3/    | 1.4        | 3/          |         |
| Prices paid by farmers for<br>family living items                         |              |       |       |       |       |       |       |       |            |             |         |
|                                                                           | 1910-14=100: | 287   | 288   | 291   | 289   | 291   | 290   | 290   | 1.4        | 0           |         |
| Wholesale price index<br>Commodities other than<br>farm products and food |              |       |       |       |       |       |       |       |            |             |         |
| Farm products                                                             | 1947-49=100: | 128.3 | 128.4 | 128.5 | 128.7 | 128.4 | 128.2 | 128.2 | .1         | 0           |         |
| Processed foods                                                           | 1947-49=100: | 91.0  | 88.1  | 85.9  | 88.0  | 90.2  | 89.0  | 88.9  | -.9        | -.1         |         |
|                                                                           | 1947-49=100: | 107.7 | 107.0 | 105.3 | 106.2 | 107.2 | 107.6 | 108.8 | -.5        | 1.1         |         |
| Prices received by farmers                                                |              |       |       |       |       |       |       |       |            |             |         |
|                                                                           | 1910-14=100: | 243   | 240   | 232   | 235   | 240   | 236   | 238   | -1.2       | .8          |         |
| Parity index <u>4/</u>                                                    |              |       |       |       |       |       |       |       |            |             |         |
|                                                                           | 1910-14=100: | 298   | 297   | 297   | 299   | 301   | 299   | 298   | 1.0        | -.3         |         |
| Parity ratio                                                              |              |       |       |       |       |       |       |       |            |             |         |
|                                                                           |              | 82    | 81    | 78    | 79    | 80    | 79    | 80    | -2.4       | 1.3         |         |

1/ Seasonally adjusted annual rates.2/ Available quarterly only.3/ Not available.4/ Prices paid, interest, taxes, and farm wage rates.

Department of Commerce and Labor and Agricultural Marketing Service.



Table 2.--Industrial production indexes, by industry and market groupings, selected dates 1/

(1957-100)

| Grouping              | 1957                 | Annual  | 1959 |      |       |      |      |      |      |      |     |      |      |     | 1960 |     |     |     |
|-----------------------|----------------------|---------|------|------|-------|------|------|------|------|------|-----|------|------|-----|------|-----|-----|-----|
|                       | Pro-<br>por-<br>tion | average | 1958 | June | Sept. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | 2/  |      |     |     |     |
| Total index           | :100.0               | : 93    | 105  | 110  | 103   | 109  | 111  | 110  | 109  | 109  | 110 | 109  | 109  | 109 |      |     |     |     |
| Industry grouping:    | :100.0               | :       | :    | :    | :     | :    | :    | :    | :    | :    | :   | :    | :    | :   |      |     |     |     |
| Manufacturing, total  | : 86.49              | : 92    | 105  | 110  | 104   | 109  | 112  | 110  | 110  | 109  | 110 | 109  | 110  | 110 | 110  | 109 | 110 | 110 |
| Durable               | : 49.66              | : 87    | 102  | 110  | 97    | 107  | 111  | 109  | 108  | 106  | 107 | 105  | 107  | 105 | 105  | 105 | 105 | 105 |
| Iron and steel        | : 6.21               | : 75    | 86   | 119  | 30    | 119  | 119  | 114  | 109  | 100  | 92  | 83   | 92   | 83  | 82   | 82  | 82  | 82  |
| Nondurable            | : 36.83              | : 100   | 110  | 111  | 113   | 112  | 113  | 112  | 112  | 113  | 115 | 116  | 115  | 116 | 116  | 116 | 116 | 116 |
| Mining                | : 8.55               | : 91    | 95   | 98   | 91    | 98   | 98   | 96   | 95   | 98   | 97  | 96   | 97   | 96  | 97   | 97  | 97  | 97  |
| Utilities             | : 4.96               | : 105   | 115  | 116  | 117   | 120  | 120  | 121  | 124  | 124  | 123 | 125  | 124  | 125 | 125  | 125 | 125 | 125 |
| Market grouping:      | :100.0               | :       | :    | :    | :     | :    | :    | :    | :    | :    | :   | :    | :    | :   |      |     |     |     |
| Final products, total | : 46.75              | : 95    | 107  | 108  | 109   | 109  | 112  | 110  | 110  | 111  | 113 | 112  | 111  | 112 | 112  | 112 | 112 | 112 |
| Consumer goods        | : 31.13              | : 99    | 110  | 111  | 112   | 113  | 116  | 113  | 113  | 115  | 117 | 116  | 115  | 116 | 116  | 116 | 116 | 116 |
| Equipment <u>3/</u>   | : 15.62              | : 87    | 100  | 102  | 103   | 102  | 103  | 102  | 104  | 102  | 105 | 104  | 102  | 104 | 104  | 104 | 104 | 104 |
| Materials             | : 53.25              | : 91    | 104  | 110  | 99    | 109  | 110  | 109  | 108  | 108  | 108 | 107  | 108  | 107 | 107  | 107 | 107 | 107 |
| Durable goods         | : 27.81              | : 86    | 100  | 112  | 91    | 107  | 110  | 109  | 107  | 105  | 105 | 102  | 105  | 102 | 102  | 102 | 102 | 102 |
| Nondurable            | : 25.44              | : 97    | 107  | 109  | 107   | 111  | 110  | 110  | 110  | 110  | 111 | 113  | 110  | 113 | 113  | 113 | 113 | 114 |

1/ Seasonally adjusted.2/ Preliminary.3/ Including defense equipment.

Board of Governors of the Federal Reserve System.

A recent Department of Commerce review and outlook report on the iron and steel industry expected the low level of output in relation to capacity to continue well into the third quarter. With steel consumers reportedly using steel at a rate equal to about 70 percent of productive capacity while production is near 55 percent of capacity, some recovery in steel production is expected in late summer. Part of the expected rise in steel output will depend on well-maintained automotive purchases.

If steel ingot production reaches the total of 110-112 million tons expected by the Commerce Department it will about equal output in 1957. This would be the third highest year on record and be 26 and 18 million tons higher than output in 1958 and 1959, respectively. Productive capacity in the steel industry has been expanding, however, and the operating rate for 1960 will probably average around 75 percent, compared with about 82 percent in the first half of this year, and 84.5 percent in 1957.

While the availability of reserve capacity is a national asset a continued increase in the relation of capacity to utilization could alter investment programs. In the post-World War II period, profits in the steel industry have tended to fluctuate with the rate of utilization of capacity. In turn, profits are a factor influencing investment decisions, although many other variables also are important.

Table 3.--Steel: capacity, production, investment and profits, 1947-1960

| Year | Capacity,<br>January 1 | Production<br>1/ | Operating<br>rate | Investment<br>2/ | Profits 3/ |
|------|------------------------|------------------|-------------------|------------------|------------|
|      | Mil. tons              | Mil. tons        | Percent           | Mil. dol.        | Mil. dol.  |
| 1947 | 91,241                 | 84,894           | 93.0              | 638              | 652        |
| 1948 | 94,233                 | 88,640           | 94.1              | 772              | 872        |
| 1949 | 96,121                 | 77,978           | 81.1              | 596              | 652        |
| 1950 | 99,393                 | 96,836           | 97.4              | 599              | 1,008      |
| 1951 | 104,230                | 105,200          | 100.9             | 1,198            | 960        |
| 1952 | 108,588                | 93,168           | 85.8              | 1,511            | 688        |
| 1953 | 117,547                | 111,610          | 94.9              | 1,210            | 912        |
| 1954 | 124,330                | 88,312           | 71.0              | 754              | 728        |
| 1955 | 125,828                | 117,036          | 93.0              | 863              | 1,304      |
| 1956 | 128,363                | 115,216          | 89.8              | 1,268            | 1,336      |
| 1957 | 133,459                | 112,715          | 84.5              | 1,722            | 1,328      |
| 1958 | 140,743                | 85,255           | 60.6              | 1,192            | 876        |
| 1959 | 147,634                | 93,446           | 63.3              | 1,036            | 830        |
| 1960 | 148,600                | 4/110-112,000    | 5/74.0-75.4       | 1,728            | 6/353      |

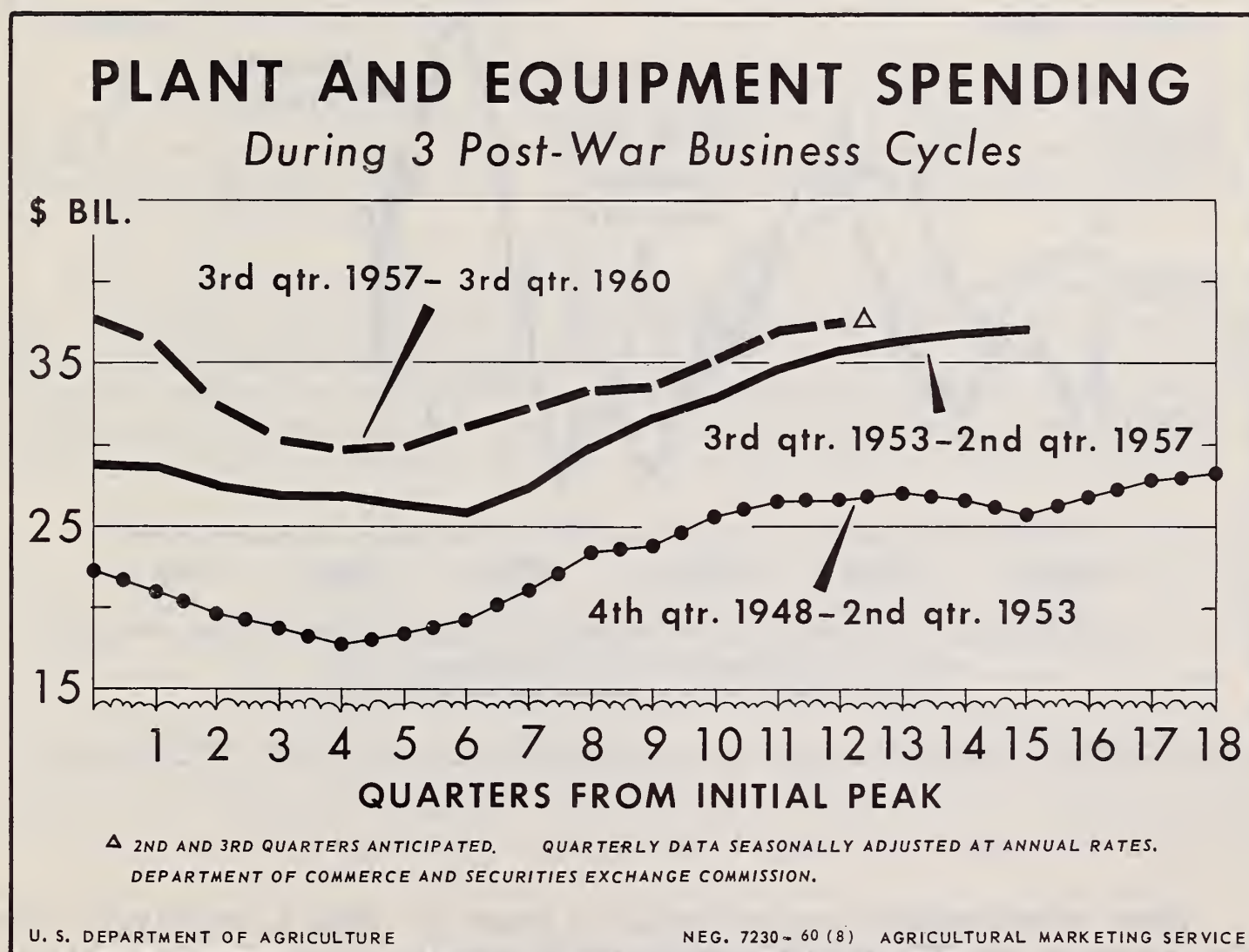
1/ Steel ingots. 2/ Expenditures for new equipment and construction. Primary iron and steel, 1960 estimated. 3/ Earnings after taxes. Primary iron and steel. 4/ Department of Commerce estimate. 5/ Implied operating rate. 6/ First quarter only.

American Iron and Steel Institute and Securities and Exchange Commission.



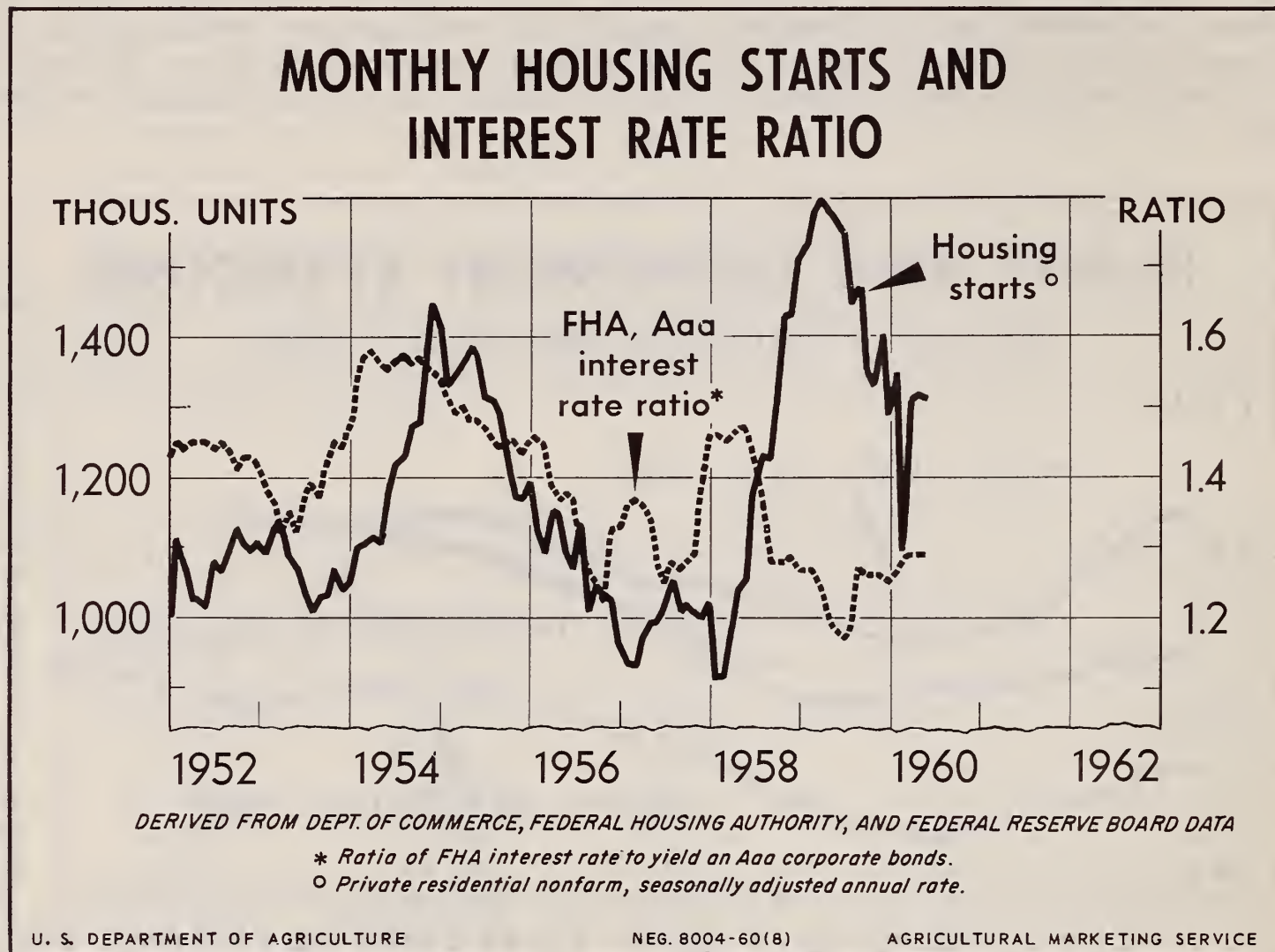
Private Investment

Although consumer income and spending are at record levels, further expansion in national income depends to a large extent on the amount of investment undertaken in the economy. Business investment in new plant and equipment rose by 2 billion dollars from the first quarter to an annual rate of 37 billion in the second quarter. The first to second quarter increase in investment was more than offset by a reduction in output going into inventory. This resulted in a second quarter gross private domestic investment below the first quarter rate, and below year earlier rates. Reports of business investment plans to SEC and the Department of Commerce suggest that outlays are continuing to rise, but very slowly. Second quarter data on earnings for a large group of corporations point toward lower corporate profits than in the first quarter of this year.

New Construction Down

The value of new private construction in the second quarter was at a seasonally adjusted annual rate of \$39.4 billion, down \$0.2 billion from the first quarter of this year and \$0.7 billion lower than the second quarter of 1959. Although housing outlays were down only slightly over the quarter, the second quarter totaled 8 percent below a year earlier.

Private housing starts reached a peak seasonally adjusted annual rate of 1.6 million units in April of 1959, but declined to 1.1 million units in March of this year due in large part to relatively high interest rates and limited credit available for housing. Housing starts have increased from the level of last March to a 1.3 million rate in June as residential mortgage rates became more favorable and credit more available.



These relationships are indicated in Chart 2. With a relatively fixed ceiling on rates for FHA and VA guaranteed mortgages, a rise in the yield on other types of investment opportunities tends to attract investment funds away from these mortgages. The inverse movement takes place when rates on residential mortgages become more favorable. Of course, changes in downpayment requirements, discounting of mortgages, and variations in the support given to the mortgage market by the Federal National Mortgage Association also affect credit availability and housing starts. Rising incomes and an increase in family formations also bolster the demand for housing. But continued high cost and a rise in vacancy rates will tend to moderate a pickup in housing.



A recent Commerce Department report estimated that private housing starts in the remainder of 1960 will show a gradual rise above levels of the first five months of the year and total about 1,325,000 units for the year. This estimate implies a second-half rate of 1,352,000 units, about 4 percent higher than in the first five months of 1960. Since about mid-1959, the yield on Government guaranteed mortgages in relation to the yield on Aaa corporate bonds has become more attractive, indicating a probable increase in the volume of mortgage money available for residential housing.

Expenditures in 1960 for private nonfarm dwellings are expected by the Commerce Department to average about 10 percent lower than in 1959, although the estimated decline in new housing starts is about 13 percent. The difference is mostly due to higher costs, as well as the trend toward more spacious and improved quality homes.

### Inventory Accumulation Slackens

In most past periods of business decline and recovery, the rate of inventory depletion or accumulation has accounted for a large part of the aggregate change in overall economic activity. As inventories decline or the rate of accumulation slackens, the rise in the nation's output of goods and services also slows or turns down.

During the first quarter of 1960 business inventories rose by \$11.4 billion, seasonally adjusted annual rate, contributing most of the \$14.9 billion rise in gross national product during the same period. Inventory accumulation during the second quarter 1960 was at a seasonally adjusted annual rate of \$6.0 billion. The decline in the rate of inventory accumulation offset other gains, limiting the first to second quarter rise in the GNP to only \$4 billion.

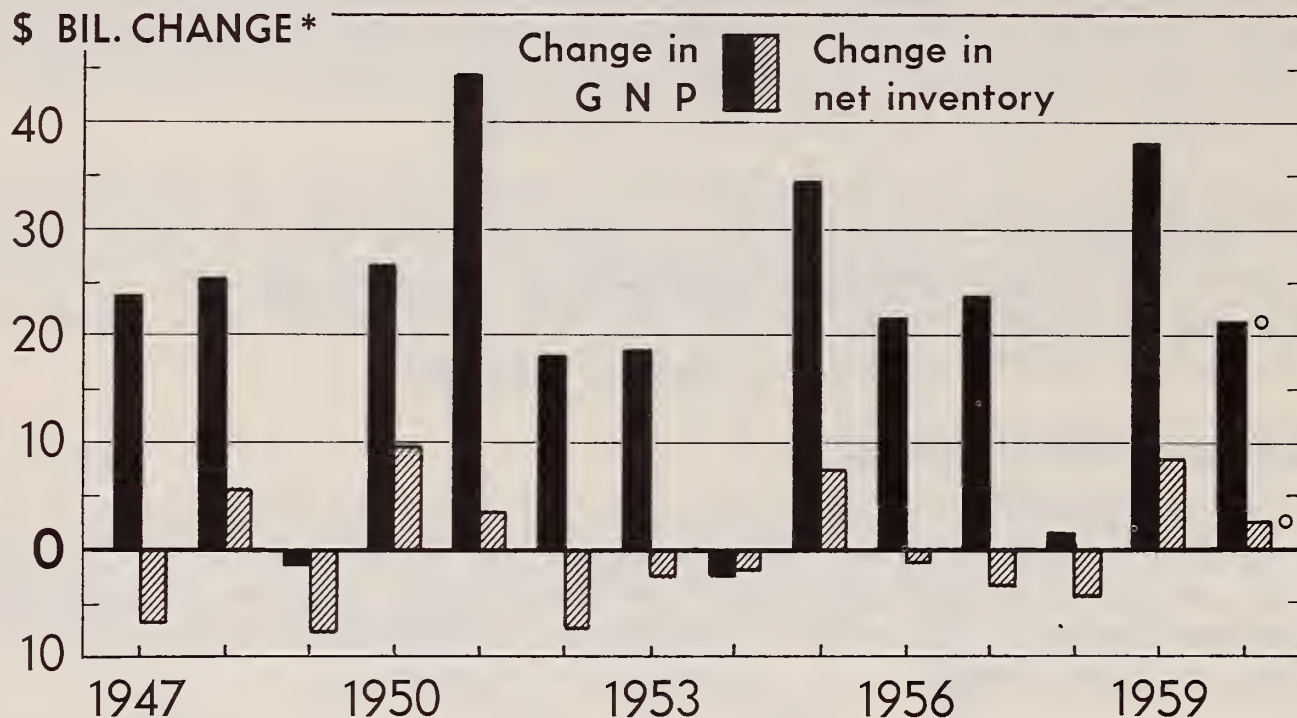
The inventory increase of \$200 million in June, seasonally adjusted, for manufacturers and distributors was the smallest month-to-month gain since last December when an unusually large rebuilding of inventories began. With manufacturers' sales in June down 1 percent, after seasonal adjustment, reflecting reduced steel shipments, and sales of wholesalers and retailers up about the same amount, the ratio of stocks to sales for manufacturing and trade was about unchanged. Preliminary estimates of retail sales in July point toward a 1 percent decline from June and virtually no change from July 1959, after adjustment for seasonal variation and trading day differences. Manufacturers new orders and unfilled orders also declined from May, each about 1 percent.

### Money and Credit Conditions

#### Credit Demands Ease

Federal Reserve member banks held net free reserves in June. This was the first time since November 1958 that excess reserves exceeded borrowings by commercial banks indicating reduced pressure for bank credit. Throughout the

## GROSS NATIONAL PRODUCT AND BUSINESS INVENTORIES



SOURCE OF DATA: U.S. DEPARTMENT OF COMMERCE.

\* CHANGE FROM PREVIOUS YEAR.

○ FIRST HALF, SEASONALLY ADJUSTED, ANNUAL RATE.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 8003-60 (8)

AGRICULTURAL MARKETING SERVICE

first six months of this year, excess reserves of member banks have varied within a narrow range so that the steady reduction in net borrowed reserves results from decreased borrowings by member banks. In addition, Federal Reserve open market operations during the second quarter contributed to a rise in total member bank reserves.

An important factor in the reduced demand for credit was the Federal Government's shift from a deficit to a surplus in the cash budget. In the first half of 1960, cash receipts from the public exceeded cash payments by \$8.2 billion compared with a deficit of \$0.5 billion in the corresponding period a year ago. Most of the increased cash inflow was used to reduce outstanding debt thereby supplying funds to credit markets. In addition, total credit demands by consumers, businesses, and State and local Governments in the first six months of this year were smaller than a year earlier.

### Interest Rates Decline

Reflecting the sharp reduction in Treasury bills outstanding, short-term interest rates declined from their high levels in January of this year. In early August, the yield (rate on new issues) on 3-month Treasury bills averaged 2.131 percent, compared with an average yield of 4.436 percent in January 1960. As the yields on 3-month Treasury bills declined, the Federal



Reserve lowered the discount rate. In the first two weeks of June the discount rate was lowered from 4 to  $3\frac{1}{2}$  percent at all Federal Reserve Banks while in mid-August the rate was lowered from  $3\frac{1}{2}$  to 3 percent at 9 of the 12 Federal Reserve Banks. The yield on Treasury bills, which changes in the discount rate tend to follow, declined more than 20 percent from June 11 to the first week in August.

Bank rates on business loans, however, have remained firm. While other business financing declined, loans to businesses increased about \$2 billion in the first half of 1960, an amount smaller than in most other recent years of economic expansion. During this period commercial banks reduced their holdings of U. S. Government securities, partly because market yields were below the discount rate during much of the period, and, in addition, deposits declined, resulting in a rise in the ratio of loans to total deposits. With reduced liquidity positions, banks have not attempted to encourage increased borrowing. However, the Federal Reserve Board's action in August liberalizing requirements on vault cash, reducing reserve requirements, and lowering the discount rate will provide more funds for the credit market.

#### FOREIGN DEMAND

##### Export Balance Rises

U. S. merchandise exports during the second quarter of 1960 were at a seasonally adjusted annual rate of \$19.5 billion, \$3.7 billion above a year earlier. At the same time, U. S. imports declined slightly to an annual rate of \$15.8 billion. Compared with the second quarter of last year, when non-military merchandise trade resulted in a small deficit, the improvement in the trade balance was more than \$3.8 billion at an annual rate.

Agricultural exports during the first 6 months of 1960 totaled \$2.3 billion, and agricultural imports \$2 billion, while during the first half of 1959 agricultural exports of \$1.8 billion were exceeded by agricultural imports of \$2.1 billion. Thus there was a \$600 million improvement in the agricultural trade balance of which about \$400 million reflected higher cotton exports. The change from a deficit to a surplus in agricultural trade accounted for about half of the rise in the nonmilitary export balance during the first half of 1960 compared with a year earlier.

In addition to the resurgence in cotton exports the \$1.2 billion rise in the U. S. merchandise trade surplus during January-June 1960 compared with a year earlier reflected the reversal of certain other unfavorable factors affecting U. S. trade in 1959. These included a decline in aircraft exports due to the time lag between foreign orders for and deliveries of U. S. commercial jets, and the effects of the steel and copper strikes which acted to reduce exports and increase imports of metal products. Because of such factors U. S. exports in 1959 declined compared to 1958, in contrast to a 7.5 percent improvement in the exports of other countries. By the first quarter of this year however, with the reversal of these temporary factors as well as the relatively higher pace of economic activity abroad than in this country, the U. S. shared about equally with other countries in a 19 percent increase in the rate of world exports compared with a year earlier.



Foreign Conditions  
Favorable

Further substantial gains in output are anticipated in major foreign industrial areas, which should sustain current trade levels. In Western Europe, where industrial production rose more than 12 percent between the first quarters of 1959 and 1960, accelerating the gains of the previous year, gross national product is expected by United Nations economists to rise 5 percent during all of 1960. A continued favorable outlook holds for Japan, where manufacturing production during January-March 1960 was 34 percent above a year earlier.

Moreover, the gold and dollar holdings of countries which traditionally provide the major foreign outlets for U. S. goods are relatively high even in relation to a further expansion in their imports.

Total foreign gold and dollar assets which reached a new high of \$43 $\frac{1}{4}$  billion on March 31, 1960, were probably close to \$44 billion as of June 30, or \$5 billion above a year earlier. Of the total, about \$6 billion was held by international institutions whose resources had more than doubled over the year through new subscriptions and repayments. These institutions provide a secondary line of reserves for countries whose balance of payments are under pressure.

U. S. Payments Deficit  
Still High

The deficit in the U. S. balance of payments for the second quarter of 1960 at a seasonally adjusted rate of about \$3 billion was well below the \$4.8 billion recorded for the second quarter of 1959 and the \$3.8 billion total for the year 1959. Despite the improvement, the figures indicate that about half of the rise in net receipts from the non-military merchandise surplus was offset by the rising trend in payments for services, the outward movement of private capital, including "hot money", as well as net U. S. Government grants and credits for mutual security and other foreign economic activities.

FARM INCOME

Cash receipts from farm marketings during January-July totaled \$16.5 billion--about 1 percent below the corresponding period of 1959. Prices received by farmers averaged nearly 3 percent less than a year earlier while the volume of marketings exceeded a year earlier by about 2 percent. Receipts from crops of \$6.0 billion were 3 percent above January-July 1959, with larger marketings of corn and soybeans and higher prices for hay, potatoes, and truck crops contributing significantly to the increase. Partially offsetting were reduced receipts from cotton, wheat, and sorghum grain. Cash receipts from livestock and products amounted to \$10.5 billion for the 7-month period, 3 percent less than in 1959. A substantial reduction in receipts from cattle and calves resulted from lower average prices received during the period which were only



slightly offset by larger marketings. Receipts from hogs have improved in recent months relative to a year earlier, but for January-July totaled less than in 1959. Receipts from dairy products, and poultry and eggs, were above the first 7 months of 1959.

The preliminary estimate of cash receipts for July 1960 is \$2.6 billion, about the same as a year earlier. Receipts from cattle and calves were down due to lower prices, but increased receipts from corn, soybeans, and new-crop wheat, due to larger marketings, were about offsetting. July receipts from livestock and products are estimated at \$1.4 billion and from crops--\$1.2 billion.

#### LIVESTOCK AND MEAT

The calf and lamb crops for 1960 are larger than last year but the pig crop is down sharply. Numbers of cattle and sheep on farms continue to rise but the rate of increase may be slowing. The volume of feeding is above a year earlier. Seasonal increases in marketings are underway. A higher supply level and some downtrend in cattle prices are in view for next year. Hog production will continue below a year earlier during 1960. Production may turn upward next year but 1961 slaughter is not expected to show much of an increase over this year.

The calf crop in 1960 is expected to be only 1 percent larger than in 1959. A higher slaughter rate for cattle and smaller imports indicate that the gain in numbers of cattle and calves on hand this year will likely be less than the increase of 4.9 million head during 1959. Cattle prices have trended downward for over a year and currently average about \$3.00 per 100 pounds below a year earlier.

Relatively stable fed cattle prices seem probable the rest of this year, but some seasonal declines are in prospect for feeder cattle. Barring an unexpected deterioration in range feed conditions, marketings of grass cattle this fall are expected to be only moderately larger than last fall.

Prospects for profits in cattle feeding this coming season are generally more favorable than those of last season. Prices for feeder cattle this fall will be below last fall by a greater margin than fed cattle. Prices for feed will likely be a little under a year earlier. Because of the rapid build-up in numbers, however, cattle producers and feeders will operate under the threat of a possible bulge in cattle marketings.

Hog slaughter this fall will continue substantially below last fall as the 1960 spring pig crop was 16 percent smaller than that of 1959. Prices will continue above a year earlier this fall and winter, though the margin will likely narrow by next spring if producers carry out their plans for only 4 percent fewer farrowings for this fall's crop. The average price received by farmers in July was \$16.60 per 100 pounds, \$3.20 above a year earlier. This difference was increased slightly in early August.

Some further expansion is taking place in sheep production. The 1960 lamb crop totaled 21,584,000 head, 2 percent larger than in 1959 and 11 percent above the 1949-58 average. Thus far this year, sheep and lamb slaughter has totaled slightly above a year before. Unless slaughter this summer and fall is larger than expected at the present time, numbers next January 1 will be up from last January. Lamb prices will probably be seasonally lower this fall but are not expected to drop below the prices late last year.

Production of all red meat in 1960 is expected to be about 27.9 billion pounds, 2 percent above last year. However, because of smaller imports and the gain in population, supplies per person will be down about a pound from the 160 pounds consumed in 1959. A decline in pork will overshadow increases in beef and veal.

#### POULTRY AND EGGS

Egg prices from mid-July to early August moved irregularly, with the net change slightly upward. In mid-July the U. S. average price received by farmers was 31.5 cents per dozen, only 0.3 cents above the preceding month but 1.1 cents above the year before. The highest mid-month average so far this year was 36.0 cents in April.

In late June the Department of Agriculture resumed dried egg purchases, and since then (to August 17) had purchased 6.7 million pounds at up to \$1.1425 per pound. The purchases of dried egg have been equivalent to about 2 percent of the concurrent farm production.

On August 1 the U. S. laying flock was slightly smaller, 1 percent, than the year before. During the rest of this year, the net additions to the flock are likely to be less than last year, because the number of pullets reaching laying age will reflect the 15 percent cut in the number of replacement-type chickens raised. After another month or so, these cuts in the number of layers will probably be greater than increases from last years' rates of lay, and monthly egg production will again be below last year, as was the case in January-May 1960.

Some further seasonal egg price rise is likely, but, because of the late start for the summertime increase this year, the increase will run for a shorter time than had seemed likely earlier. By years' end, prices are likely to be declining seasonally. Higher monthly average prices than last year still seem likely, but the margin may be quite narrow.

Broiler prices in the 3 months preceding early August were steady, with mid-month average prices running 17.8, 17.6, and 17.9 cents respectively in May, June, and July. A year earlier, prices were  $1\frac{1}{2}$  to 2 cents lower. In the second week of August, prices declined slightly in Georgia and some other areas, but they remained well above the comparable 1959 prices. The mid-August 1959 U. S. average price was 15.6 cents per pound.



Although August broiler slaughter is larger than last year, high pork prices have helped to keep broiler prices above year ago levels. After August, broiler slaughter will exceed last year by smaller percentages. Placements timed for September slaughter are about 5 percent above 1959, compared with a 10 percent increase for August.

Turkey slaughter is increasing seasonally, and prices generally continue at or above year ago levels. In mid-July, the average price to farmers, 23.1 cents per pound, was 0.9 cents above 1959. The 1960 crop will probably be little different from the 1959 record of 82 million birds but most of the increase will be of birds for August and September slaughter. On the basis of April-June poult hatchings, October and November slaughter are likely to be below 1959. Beginning in September, 1959, the Department of Agriculture bought about 2 percent of that year's turkey crop for School Lunch purposes.

#### DAIRY PRODUCTS

The seasonal decline in production of milk and manufactured dairy products by early August led to an approximate balance between supply and demand at equivalent of support prices for all items except nonfat dry milk. So far price increases have not occurred as rapidly as in the last several months of 1959, except for slight gains for fluid cream. Prices for all items in mid-August were about the same as a year earlier or a shade higher.

Production of milk in each month of 1960 has been slightly above a year earlier. Production of milk per cow was depressed in some important upper mid-west dairy states in the late winter, or the total gain would have been much greater. The milk-feed price relationship in the last 3 months has been the most favorable on record except for 1941 and milk prices have improved relative to prices of beef cattle.

The number of milk cows on farms has shown a definite let-up in its rate of decline since early 1959. This apparently was associated closely with the coincident decline in beef cattle prices as all other factors influencing milk cow numbers were changed little from other recent years. However, the greater stability in beef cattle prices in the early part of 1960, may have tended to ease the rate of decline in milk cow numbers earlier this year. As of June 1960, the number of milk cows on farms was down from a year earlier by 0.9 percent compared with a drop of 1.2 percent as of December 1959. In recent weeks cattle prices have resumed their seasonal declines.

Total consumption of fluid whole milk apparently is showing only a moderate increase this year. However, use of skimmed milk and low fat fluid products and some milkcream mixtures is running substantially above a year earlier.

Offerings of butter to the CCC dropped off sharply in the first week of August 1960. Since then there have been no purchases. In contrast the decline was gradual last year.

Meanwhile, production of butter continues 5 percent or more above a year earlier. Sales of butter to CCC this marketing year are 7 percent above those of a year earlier. Weekly production of American cheese recently showed a larger increase over a year earlier than at any time since November 1958. But total offerings to CCC have been practically negligible this marketing year. Sales to USDA of nonfat dry milk for delivery this marketing year are slightly greater than those of last year.



## OILSEEDS, FATS AND OILS

Early August indications point to a total U. S. supply of edible fats, oils, and oilseeds during the 1960-61 marketing year of 14.0 billion pounds (oil equivalent), approximately 2 percent or about 0.3 billion pounds less than the record quantity available during the current year. Smaller supplies of soybeans than those a year ago are expected to account for most of the reduction in supply.

Domestic disappearance of food fats probably will continue to rise in 1960-61 with growth in population accounting for the increase. This indicates that the quantities of edible oils, lard, and soybeans available for export in 1960-61 will be slightly less than the record 3.8 billion pounds expected to be shipped abroad for the year just ending.

The export outlook for food fats and oils in the 1960-61 marketing year is favorable, as sales for dollars and a large P.L. 480 program are expected to result in a continued strong outward movement. Soybean exports are expected to be around the record 130-135 million bushels now indicated for 1959-60. Exports of soybean and cottonseed oil are likely to equal the 1959-60 total now placed at around 1,450 million pounds. Lard exports and shipments probably will drop sharply from the 675 million pounds estimated for 1959-60, reflecting higher prices associated with reduced output. Thus it appears that there will be a fairly close balance between our exportable supplies of all food fats in 1960-61 and export demand.

United States supplies of soybeans during 1960-61 are estimated at 580 million bushels, 20 million bushels less than the previous two years. Based on August 1 indications, the 1960 soybean crop is placed at 548 million bushels, 10 million above last year's crop. Prices to farmers for the 1960 crop probably will average as high as the \$1.97 per bushel received in 1959-60, although some seasonal decline is likely this fall. Crushings plus exports of beans likely will be large enough to again reduce the end-of-year carryover.

The 1960 cottonseed crop was indicated as of August 1 at 5,986,000 tons, about the same as last year. Cotton acreage for harvest this year is up 3 percent mainly because of farmers electing the "Choice B" price support plan, but yield per acre is down from last year. Price to farmers for cottonseed is likely to average close to the \$38.80 per ton received for the 1959 crop.

Lard output in the marketing year beginning October 1, 1960 is expected to decline around 6-7 percent from the 2,675 million pounds now estimated for the current marketing year. The decrease mainly will reflect a drop in hog slaughter. Lard prices in 1960-61 are expected to average somewhat higher than during the previous year.

Production of peanuts is forecast at 1,626 million pounds, about 2 percent more than in 1959. Prospective supplies are above domestic needs for food and farm uses. As in the case for most recent years, farm prices for 1960 crop peanuts are likely to average at about the support loan level of 10.0 cents per pound compared with the 1959 crop support of 9.7 cents.



Flaxseed output in 1960 is forecast at 28.4 million bushels, up about 5.7 million from last year's short crop. A flax crop the size of the one indicated would be slightly above domestic requirements but prices to farmers would still average well above the support price of \$2.38 per bushel.

### FEED

Generally favorable feed crop prospects in early August and record carryover stocks are expected to result in another record feed concentrate supply in 1960-61. The combined production of the four feed grains, based on August 1 indications, will total 159 million tons, down 7 million tons from the record output last year, but 22 million above the 1954-58 average. Total stocks carried over into 1960-61 are expected to be up to 77 million tons, 9 million more than last year, more than offsetting the prospective reduction in the crop. This big feed grain supply, along with prospective supplies of byproduct feeds and wheat and rye for feed, gives a total feed concentrate supply of 265 million tons, slightly above the record supply last year. A supply of this size would be sufficient to permit a continuation of the heavy disappearance of the past year and still leave a little larger carryover at the close of the 1960-61 marketing year.

The 1960 corn crop was estimated in August at 4,112 million bushels, 249 million less than the bumper crop of 1959. A crop of this size plus the prospective October 1 carryover of around 1,875 million bushels would give a total supply of nearly 6 billion bushels, slightly larger than in 1959-60. Corn disappearance has increased sharply in recent years and is expected to total about 4.0 billion bushels in 1959-60, a billion more than 5 years ago. The 1960-61 sorghum grain supply is estimated at 1,124 million bushels slightly larger than in 1959-60. The oat supply for 1960-61 is about the same as last year, while the barley supply is 6 percent smaller.

Feed grain prices declined during July and early August as production prospects continued generally favorable for the 1960 crops. Oats and barley prices have declined seasonally with the harvesting of the 1960 crops. In the first 2 weeks of August, No. 2 oats at Minneapolis averaged 63 cents per bushel, 6 percent lower than a year earlier and No. 3 barley averaged \$1.01 per bushel, down 9 percent. Prices of both grains, however, are above the national average support rates for the 1960 crops. Corn and sorghum grain prices also have declined in recent weeks and are expected to decline further this fall as the 1960 crops are harvested. In July, prices received by farmers for feed grains averaged 4 percent lower than a year earlier.

Prices of most of the high-protein feeds are lower this summer than last, with greatest declines in fish meal and animal proteins. Wholesale prices in July averaged 11 percent lower than a year earlier. Livestock-feed price ratios are generally more favorable to livestock producers this summer than last. The hog-corn ratio is again above the 10-year average and feed prices are lower in relation to eggs and poultry than they were a year ago.



## WHEAT

The total wheat supply for the marketing year beginning July 1, 1960 is now estimated at a new record of 2,682 million bushels. This is a quarter of a billion bushels above the record supply of last season and nearly two-thirds of a billion bushels above the 1954-58 average. The gain over last year results primarily from a 234-million-bushel increase in the crop which was estimated on August 1 at 1,362 million bushels. The July 1, 1960 carryover of 1,313 million bushels was only 18 million bushels larger than on July 1 last year. The supply also includes an allowance for imports of about 7 million bushels, mostly of feeding quality wheat and wheat for seed.

Domestic disappearance for 1960-61 is now estimated at about 610 million bushels, about the same as a year ago. Any slight increase would probably be in food use, a slight decline in per capita consumption being offset by the increase in population. Seed and feed use are expected to be about the same as in 1959-60.

Exports are tentatively estimated at 525 million bushels, compared with the all-time record level reached in 1956-57 of 550 million and the 508 million exported in 1959-60. Exports under Government programs will probably account for about two-thirds of the total, about the same proportion as the average of the last 5 years. On the basis of these estimates, a carryover on July 1, 1961 of about 1,550 million bushels would be indicated, about 235 million bushels above this July 1, and a new all-time record.

Of the total carryover of 1,313 million bushels of old-crop wheat on July 1, 1960, the CCC owned 1,199 million bushels which were 53 million more than a year earlier and 364 million above two years ago. On July 1, the quantity outstanding under loan and resale from the 1959 crop and under extended resale from crops of the past 3 years totaled 60 million bushels. Wheat held by farmers to postpone or avoid payment of penalty for overplanting acreage allotments probably amounted to around 35 million bushels, on the basis of the last available figure for December 31, 1959 of 35.5 million bushels. This indicates that "free" supplies of old-crop wheat on July 1, 1960 amounted to about 19 million bushels, which compares with 52 million on July 1 a year earlier. New-crop wheat harvested before July 1 supplements small old-crop "free" supplies.

The price of No. 2 Hard Red Winter Wheat, ordinary protein, at Kansas City reached a low of \$1.84 on July 1. Since that time, the price advanced and on August 17 was \$1.92. The strengthening reflects the large quantities being placed under the price support program and other withholding of wheat by growers. The low at Kansas City was 23 cents below the announced support, which compares with the average of 25 cents covering 4 of the past 5 years. The price of No. 2 Soft Red Winter at St. Louis reached a low on July 7 of \$1.84, also 23 cents below the announced support.

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: The next issue of the Demand and Price Situation :  
: is scheduled for release on September 26, 1960. :  
:



On August 18, prices at the various markets, compared with the effective support (storage deducted), were as follows: No. 2 Soft Red Winter at St. Louis, 11 cents below; No. 2 Hard Red Winter, ordinary protein, at Kansas City, 7 cents below; No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, 2 cents above and No. 1 Soft White at Portland, 5 cents above. After prices reach seasonal lows in the various markets, they will advance as in other years, reflecting the influence of the price support program.

## FRUIT

Supplies of fresh market fruits are expected to be generally smaller during late summer than a year earlier. Supplies of deciduous fruits will be seasonally large, but those of oranges and grapefruit not only will be seasonally small but lighter than usual. Grower prices for most fresh market fruits are expected to continue above year-earlier levels. Peaches are an important exception.

Among deciduous fruits marketed in large volume during late summer, the crops of apples, pears, prunes, peaches and grapes are smaller than in 1959, though the latter two are only a little smaller. During summer, grower prices for these fruits usually decline as harvesting increases. But prices this summer generally are expected to average above year-earlier levels. Although prices for the heavy supplies of peaches during early summer declined to levels lower than a year earlier, some increase is expected as marketing shifts to late summer States, where production is lighter this year. Total production of deciduous fruits in 1960 is expected to be about 7 percent smaller than in 1959 but 3 percent above average.

The 1960 crop of tree nuts (almonds, filberts, pecans and walnuts) is expected to total about the same as the record in 1959 and 15 percent above average. Increases in walnuts and pecans are expected to offset decreases in almonds and filberts.

Shipping-point prices for the lighter supplies of California Valencia oranges are expected to continue above the levels of last summer. Prices for the top grade and larger sizes of lemons continue higher than last summer, those for other lemons continue under last summer. Prices for the light supplies of grapefruit will continue seasonally high until new-crop fruit is marketed in volume in fall. Growing conditions for the 1960-61 citrus crops in early August were favorable in Florida and Texas, but generally not as good as a year earlier in California and Arizona.

The 1960 pack of canned deciduous fruits is expected to be moderately smaller than the record 1959 pack. Some reduction also seems likely in the 1960 pack of frozen deciduous fruits including berries. Total output of dried fruits may not be greatly different from 1959 though a small reduction in dried prunes is in prospect. In early August Florida packers' stocks of frozen orange concentrate were smaller than a year earlier, those of most canned single-strength citrus juices were larger. These stocks will be reduced substantially before being replenished from the new packs starting next fall.

## COMMERCIAL VEGETABLES

For Fresh Market

During early summer supplies of fresh vegetables, excluding melons, were a little smaller than last year, and prices to growers averaged somewhat higher. During the next few weeks supplies may be a little larger than those of a year earlier.

Prospective production of late summer cucumbers is substantially larger than last year and late summer cabbage and tomatoes moderately larger. Also, materially larger summer crops of lima beans, beets, escarole, garlic and lettuce are expected. But indicated production of late summer sweet corn and onions is moderately smaller than a year ago, and summer eggplant substantially smaller. Production of watermelons promises to be moderately larger than a year earlier, and cantaloupes and honeydews materially larger.

During the next few weeks many fresh vegetables will continue to be available locally, with supplies at or near their seasonal peak. Prices received by growers probably will average near those of a year earlier.

For Commercial Processing

Indicated production of six important vegetables for commercial processing is 1 percent larger than 1959, and 8 percent above the 1949-58 average. Prospective production of snap beans is up 14 percent, contract cabbage for kraut up 29 percent, and tomatoes up 4 percent. But production of green peas for processing was down 8 percent, winter and spring spinach down fractionally, and indicated production of sweet corn is down 7 percent. These six vegetables typically make up 85 to 90 percent of the total tonnage of the 10 processing crops regularly reported by the Department of Agriculture.

Because of smaller stocks at the beginning of the current season, total supplies of canned vegetables are expected to be moderately smaller this season than last. However, supplies of frozen vegetables may be a little larger. Both cannery and retail prices of processed vegetables probably will average a little higher this season than last.

## POTATOES AND SWEETPOTATOES

Production of potatoes for late summer harvest, at 31.8 million hundredweight, is 5 percent smaller than in 1959. All of the decline is in the West where output is down 13 percent. For the week ended August 6, f.o.b. prices of U. S. No. 1 long whites, washed, at Yakima Valley shipping points averaged \$3.45 per hundredweight, compared with \$1.80 a year ago. But f.o.b. prices of eastern grown potatoes were materially below those of a year earlier.



Early August potato estimates indicate a fall crop of 175 million hundredweight, 6 percent more than last year and 12 percent above the 1949-58 average.

Indicated production of sweetpotatoes, at 14.3 million hundredweight is down a fourth from last year. Prices to growers are expected to show some seasonal decline into fall, but are likely to average materially above the relatively low levels of a year earlier.

### COTTON

Sharply increased exports and a small rise in domestic mill consumption are reducing cotton stocks this year. The estimated carryover of about 7.5 million bales for August 1 is 16 percent below a year earlier and only slightly more than half the record high of 1956. The carryover on August 1, 1961 will probably be about the same as that of 1960.

Disappearance of cotton in the United States during the 1960-61 marketing year will probably be around 14.5 million bales, compared with about 16.1 million during 1959-60. The decline in disappearance is expected to result from lower exports and smaller domestic mill consumption.

Exports of cotton in 1960-61 may fall about a million to 1-1/2 million bales below the estimated total of around 7.1 million bales this year, the second highest export of the postwar period. Early season estimates point to larger cotton production in the foreign free world than the relatively small 16.3 million-bale crop of 1959-60. On the other hand, consumption in the foreign free world is expected to remain at a record high, and some further rebuilding of cotton stocks appears likely.

Mill consumption in the United States during 1960-61 probably will be about 8-3/4 million bales compared with 9 million bales this season. The slight decline is indicated by the recent increase in the ratio of stocks to unfilled orders for cotton broadwoven goods and by declines in the value of fabric.

Production of cotton from the 1960 crop was estimated as of August 1 at 14.3 million running bales (14.5 million bales of 500 pounds each). This compares with 14.5 million running bales from the 1959 crop.

The acreage harvested from the 1960 crop is estimated at 15.5 million acres compared with 15.1 million a year earlier, but the average yield of 447 pounds per harvested acre in prospect is 15 pounds below 1959 and 19 pounds below the record high of 1958. Lower yields are expected in the Delta States of Tennessee, Mississippi, Missouri, Arkansas, and Louisiana, and in Texas, North Carolina, and New Mexico.

The monthly average 14 spot market prices for Middling 1-inch cotton from August 1959 to July 1960 were below average prices for the same months a year earlier. The lower prices reflect the large supply in 1959-60 and the CCC sales price for cotton purchased under the Choice A program and held from earlier crops.



During the 1960-61 season CCC will determine minimum sales prices for Choice A cotton in the same manner as under the 1959-60 program. In the case of cotton from prior crops, CCC minimum sales prices will be determined in the same manner as in 1959-60 except that the 110 percent factor will be 115 percent.

#### WOOL

Prices received by producers for shorn wool can be expected to decline seasonally during the next few months. This price movement will probably be similar to the pattern of a year ago, when prices in the fall and winter months were 4 to 6 percent below those of mid-summer. Significant changes in world prices could cause domestic prices to change more than seasonally as domestic prices tend to follow those in the world markets.

World prices are expected to continue at present levels until the opening of the 1960-61 marketing season in Australia in late August after which trade sources expect a slightly easier tone to prevail. With the rate of mill activity in the chief manufacturing countries slowing up, demand for the 1960-61 record wool production can be expected to be somewhat less than in the last several months. This will probably cause some further easing of world wool prices in the coming months.

The Boston market has been inactive during the last several weeks, caused in part by mill vacations, indicated lack of sufficient new orders for wool products, and a cautious attitude of buyers who were waiting for price patterns to develop in world markets as 1960-61 clips are sold. Activity on domestic wools has been at the local levels where demand has been strongest for the medium wools. This has resulted in the narrowing of the price differential between fine and medium wools.

U. S. mill consumption during January-June 1960 totaled 216.0 million pounds, scoured basis, 4 percent less than a year before. Apparel wool consumption amounted to 131.5 million pounds, 5 percent less than a year ago, while carpet wool use totaled 84.5 million pounds, 2 percent less than the first 6 months of 1959. The seasonally adjusted average weekly rate of apparel wool consumption in June 1960 was 2 percent less than in May, 3 percent less than the June 1959 rate. The average weekly rate of carpet wool consumption, seasonally adjusted, for June 1960 was 16 percent less than for May and 19 percent less than the June 1959 rate. If apparel and carpet wool mill consumption continue at the seasonally adjusted rates of the first 6 months of 1960, the year's total would be around 415 million pounds compared with 431 million pounds in 1959.

Production of woolen and worsted fabric during the second quarter of 1960 probably equalled or exceeded the first quarter of 1960. Slightly more than the seasonal decline in fabric production can be expected during the second half of 1960. First quarter production of woolen and worsted goods amounted to 73.5 million linear yards, compared with 72.5 million in the first quarter of 1959 and 70.3 million in the fourth quarter of 1959.



First quarter imports of wool manufactures had a raw wool content of 40.9 million pounds, 46 percent more than the first quarter of 1959. Imports of woven fabrics, carpets and rugs, knit wearing apparel, yarns and tops were all above a year ago while imports of noils and wastes were less.

Reflecting smaller wool imports and mill consumption and larger imports of wool manufactures, mills are working down stocks of wool. Imports of raw wool at 127.4 million pounds, clean content, during the first 6 months of 1960 were 26 percent below a year ago. Dutiable wool imports during January-June 1960 totaled 44.4 million pounds, 25 percent less than a year earlier, duty-free imports amounted to 83.1 million pounds, 26 percent less.

The estimated 1960 United States shorn wool production is 265.3 million pounds, grease basis, 3 percent more than 1959 and the highest since 1946. On a clean basis, this year's shorn wool production is equivalent to 119.4 million pounds compared with 115.7 million pounds in 1959. The number of sheep and lambs shorn in 1960 is estimated at 32.1 million head, 4 percent more than 1959. The average weight per fleece is 8.26 pounds compared with 8.31 pounds in 1959.

World sheep numbers increased during 1960 for the thirteenth consecutive year. Foreign Agricultural Service estimates the total at 983 million head, 1 percent more than in 1959. The preliminary estimate of the 1960-61 world wool production by the Foreign Agricultural Service is a record 5,625 million pounds, grease basis (3,210 million pounds, clean), about 1 percent above the 5,575 million pounds (3,185 million pounds, clean) of a year ago. This includes the 1960 clips of the Northern Hemisphere and the 1960-61 clips of the Southern Hemisphere.

#### TOBACCO

Marketings of this year's crop of flue-cured tobacco have been under way in the Georgia-Florida (type 14) markets since late July. Through August 16, 145 million pounds were sold on the type 14 markets at an average of 57.8 cents per pound, about 1 percent below the comparable figure for a year earlier. The South Carolina--border North Carolina (type 13) markets opened August 11. About 25 million pounds had been sold by August 16 at an average of 58.2 cents per pound, about 2 percent below a year earlier. Auctions in the Eastern North Carolina Belt (type 12) began August 23. The Middle Belt (type 11-b) and Old Belt (type 11-a) markets usually open about the first and second weeks of September.

As of August 1, the flue-cured crop was indicated to be 9 percent larger than last year's crop but fourth smallest since 1949. This year's crop plus the carryover on July 1, which is down 5 percent from a year earlier, will provide a total supply for 1960-61, only slightly below 1959-60.

Domestic use of flue-cured during the year ended June 30 increased about 4 percent from a year earlier, largely attributable to the increase in cigarette output. Exports of flue-cured tobacco declined 5 percent from a year earlier, to the lowest level in 7 years.

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- 28 -

AUGUST 1960

The August indication for the burley crop--the second ranking cigarette tobacco--was 5 percent below last year's harvestings. The August 1 indication for Maryland tobacco was for a crop about  $2\frac{1}{2}$  percent below the current estimate for 1959.

Indicated production of fire-cured and dark air-cured (including sun-cured) tobacco was down 7 and 5 percent respectively from last year. The principal domestic uses for these types are in snuff and chewing tobacco.

The August 1 indicated crops of the cigar filler tobacco is about 7 percent smaller than last year's, but the prospective harvest of cigar binder in the Connecticut Valley is about equal to last year's. Production of the combined Wisconsin binder types is indicated to be up about an eighth, with nearly all the increase in the Northern Wisconsin type 55.

The August 1 figures for the cigar wrapper types indicate production increases of nearly 2 percent in the Connecticut Valley and 7 percent in Georgia-Florida.

In the fiscal year ended June 30, 1960, cigarette and cigar output registered significant gains, but smoking and chewing tobacco output declined. Output of snuff held fairly stable.

In the last fiscal year, exports of all types combined at 510 million pounds (farm sales weight) were about  $3\frac{1}{2}$  percent below 1958-59. Exports of burley were well above a year earlier and there were also significant increases in exports of Kentucky-Tennessee fire-cured tobacco, Maryland tobacco and Black Fat. The 1959-60 exports of flue-cured (accounting for over four-fifths of the total) and most other kinds were below 1958-59.